

## Message Text

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ORIGIN STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 EB-08  
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15  
NSCE-00 SSO-00 ICAE-00 INRE-00 /110 R

DRAFTED BY STR:JSTARKEY:GD  
APPROVED BY STR:WKELLY  
TSAYLOR:USDA  
JKATZ:STATE

-----120510 260147Z /72

O 260052Z MAY 78  
FM SECSTATE WASHDC  
TO USMISSION GENEVA IMMEDIATE  
INFO AMEMBASSY BRUSSELS IMMEDIATE

C O N F I D E N T I A L STATE 134192

USEC, LIMDIS

E.O. 11652: GDS

TAGS: ETRD, EAGR, MTN, BE

SUBJECT: U.S. EXPECTATIONS FOR U.S./EC BILATERAL MAY 30-31

PASS AMBASSADOR MCDONALD AND AMBASSADOR HINTON

1. THE MAY 30-31 MEETING SHOULD BE USED IN U.S. VIEW AS  
THE VEHICLE TO ENGAGE THE EC FULLY IN THE NEGOTIATING PRO-  
CESS WITH RESPECT TO AGRICULTURAL EXPORT SUBSIDIES AND  
U.S. PRODUCT REQUESTS, SUCH AS TOBACCO, CITRUS FRUIT AND  
JUICES, FEED GRAINS, POULTRY MEAT AND HIGH-QUALITY BEEF,  
RICE AND SPECIALTY CROPS, INCLUDING CANNED FRUIT. THE  
JULY 15 DEADLINE IS FAST APPROACHING WITH ALMOST NO PER-  
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CEPTIBLE PROGRESS TO DATE ON U.S. MTN AGRICULTURAL CON-  
CERNS. AS A RESULT, WE ARE UNDER STRONG CRITICISM  
DOMESTICALLY FOR HAVING TABLED A FORTHCOMING OFFER ON AGRI-  
CULTURAL PRODUCTS AND HAVING MOVED TO ACCOMMODATE EC  
OBJECTIVES IN TERMS OF ARRANGEMENTS FOR COARSE GRAINS,  
WHEAT (NOTIONAL PRICES) AND DAIRY WITH NO VISIBLE RECIP-  
ROCITY BY THE EC. SINCE THE CONCLUSION OF A SATISFACTORY

DEAL WITH THE EC ON AGRICULTURE IN THE NEXT 6 WEEKS IS CRUCIAL TO A SUCCESSFUL MTN PACKAGE, MTN DEL SHOULD SEEK TO ESTABLISH THE BASIS FOR A CONSTRUCTIVE DIALOGUE MAY 30-31 BY INFORMING RABOT OF: A) OUR CONCERN ABOUT THE LACK OF PROGRESS IN AREAS OF IMPORTANCE TO THE U.S. AND B) OUR

EXPECTATIONS REGARDING THE MAY 30-31 MEETINGS.

2. WHEN AMBASSADOR STRAUSS AND V.P. GUNDELACH MET IN WASHINGTON IN MARCH, BOTH SIDES LISTED THOSE ELEMENTS OF THE NEGOTIATION THAT EACH CONSIDERED AS "POLITICAL IMPERATIVES," AND THAT WOULD HAVE TO BE INCLUDED IN THE FINAL PACKAGE IN ORDER TO HAVE A POLITICALLY ACCEPTABLE DEAL. SINCE MARCH CONSIDERABLE PROGRESS HAS BEEN MADE WITH RESPECT TO THE "POLITICAL IMPERATIVES" LISTED BY GUNDELACH, DUE IN LARGE PART TO FORTHCOMING POSITIONS ADOPTED BY THE U.S. IN THE AREAS OF WHEAT, COARSE GRAINS, DAIRY PRODUCTS AND MEAT. UNFORTUNATELY PARALLEL PROGRESS HAS NOT BEEN MADE DURING THIS PERIOD IN AREAS OF CONCERN TO THE UNITED STATES.

3. IN COPENHAGEN, GUNDELACH TOOK NOTE OF U.S. PRODUCT REQUESTS AND INDICATED THAT HE WOULD BE PREPARED TO BEGIN SUBSTANTIVE NEGOTIATIONS IN THESE AREAS FOLLOWING CONCLUSION OF THE INTERNAL PRICE NEGOTIATIONS AND THE MEDITERRANEAN AGRICULTURAL PACKAGE. THE CLEAR IMPLICATION  
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THAT HE GAVE WAS THAT THE IMPLEMENTATION OF THE MEDITERRANEAN PACKAGE WITH SUBSIDIES FOR MEDITERRANEAN PRODUCERS WOULD FACILITATE HIS ABILITY TO MAKE CONCESSIONS IN THE MTN IN SENSITIVE PRODUCT AREAS. IT IS ABSOLUTELY ESSENTIAL THAT WE BEGIN TO EXPLORE THE NEGOTIATING POSSIBILITIES IN KEY AREAS NOW IF THE OUTLINE OF AN ACCEPTABLE AGRICULTURAL PACKAGE IS GOING TO BE ON THE TABLE BY JULY 15 DEADLINE.

4. THE MAY 30-31 MEETING SHOULD ALSO PROVIDE AN OPPORTUNITY TO MOVE THE DISCUSSIONS ON ELABORATION OF RULES GOVERNING USE OF AGRICULTURAL EXPORT SUBSIDIES FORWARD. THE ACHIEVMENT OF EFFECTIVE DISCIPLINES ON THE USE OF SUCH SUBSIDIES IS THE ONE OBJECTIVE IN THESE NEGOTIATIONS WHICH IS COMMON TO ALL ELEMENTS OF THE U.S. AGRICULTURAL COMMUNITY AND THEREFORE CRUCIAL TO THEIR SUPPORT FOR THE MTN PACKAGE. THE COMMUNITY SHOULD BE AWARE (AS WE TOLD RABOT IN APRIL) THAT WE CAN ONLY DEAL WITH THEIR REQUESTS FOR RESOLUTION OF THE SUBSIDY/COUNTERVAILING DUTY PROBLEM ON CHEESE IN THE CONTEXT OF IMPROVED GENERAL RULES GOVERNING THE USE OF AGRICULTURAL SUBSIDIES. OUR OBJECTIVE IS TO REACH A CLEAR UNDERSTANDING ON: A) RULES GOVERNING THE

USE OF AGRICULTURAL EXPORT SUBSIDIES, AND B) OBJECTIVE CRITERIA TO DETERMINE WHEN COUNTRIES ARE ACTING IN VIOLATION OF THOSE RULES.

5. WE ALSO EXPECT THE COMMUNITY TO PROVIDE A RESPONSE TO THE U.S. "CATHEDRAL" PAPER. WE ARE DISAPPOINTED THAT WE

HAVE HAD NO FEEDBACK WHATSOEVER IN RESPONSE TO THE U.S. EFFORT TO ARTICULATE WHAT WAS ESSENTIALLY GUNDELACH'S IDEA. SINCE THE CONCEPT IS A RATHER AMBITIOUS ONE, WE NEED TO HAVE AN EARLY EC REACTION IF IT IS TO BE DEALT WITH AT ALL IN THE MTN.

6. WE ANTICIPATE THAT THE COMMUNITY WILL PRESS US FURTHER  
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WITH RESPECT TO THEIR DAIRY REQUESTS AND WILL BE PREPARED TO RESPOND AS APPROPRIATE. HOWEVER, THERE IS CONSIDERABLE RELUCTANCE ON OUR PART TO BEING ANY MORE FORTHCOMING IN THIS AREA UNTIL WE AT LEAST HAVE HAD SOME INDICATION THAT THE COMMUNITY IS MAKING A SERIOUS EFFORT TO RESPOND POSITIVELY TO U.S. MTN INTEREST.

7. EC SOURCES HERE IN WASHINGTON INDICATE THAT THE COMMUNITY FEELS THERE IS LITTLE NEED FOR FURTHER DISCUSSIONS ON WHEAT AND COARSE GRAINS. THEY REPORT THE VIEW IN BRUSSELS THAT WE HAVE ALREADY REACHED A COMMON UNDERSTANDING ON THE NOTIONAL PRICE CONCEPT AND THAT THE EC WILL BE WILLING TO SETTLE FOR AN ARGENTINE TYPE CONSULTATIVE ARRANGEMENT ON COARSE GRAINS. WE BELIEVE, HOWEVER, IT COULD BE USEFUL TO USE THIS MEETING TO DISCUSS COORDINATION OF STRATEGY FOR DEALING WITH THE WHEAT AND COARSE GRAINS ISSUES IN THE UPCOMING INTERIM COMMITTEE MEETING IN LONDON. THE QUESTION OF MARKET ACCESS OR "UTILIZATION MEASURES" STILL REQUIRES FURTHER DISCUSSION AND THE U.S. MIGHT WISH TO PRESENT U.S. REQUESTS DESIGNED TO IMPROVE CONDITIONS OF FEED GRAINS TRADE WITH THE COMMUNITY (I.E. BINDING INDUSTRIAL CORN LEVY, ETC.).

8. ACTION USEC: PLEASE CONVEY THE SUBSTANCE OF THIS MESSAGE TO V.P. GUNDELACH. CHRISTOPHER

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NNN



## Message Attributes

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**Channel Indicators:** n/a  
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**Copy:** SINGLE  
**Draft Date:** 26 may 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**TAGS:** ETRD, EAGR, BE, US, MTN, EEC  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014